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Weekly Contributions 46-50
Latin America Division, ORE, CIA
14 November 1950

D/LA finds of particular interest this week the item on the effects of the Delgado Chalbaud assassination, that on Latin American reaction to the Puerto Rican revolt, and that on repression of Communism in Latin America.

CURRENT DEVELOPMENTS

GENERAL: Latin American reaction to Puerto Rican revolt shows considerable misunderstanding of situation (p. 2). General repression of Communism in Latin America is intensifying (p. 2).

NORTHERN AREA: In Guatemala, the election of the government candidate, Arbenz, makes possible a more conservative government (p. 3).

CENTRAL AREA: In Brazil, the move to invalidate Vargas' election is unlikely to gain much support (p. 3). In Venezuela, the assassination of Lt. Col. Delgado Chalbaud, president of the military junta, may have a distinctly unfavorable effect upon US interests.

SPECIAL SUBJECTS

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The Current Situation in Nicaragua 10

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(CIA Working Paper)

14 November 1950

1. GENERAL: Latin American Reaction to Puerto Rican Revolt

Perhaps the most significant aspect of the Latin American reaction to the recent Nationalist Party uprising in Puerto Rico is the considerable amount of misunderstanding shown to persist among the people of the other American republics regarding the situation in this US territory. While it is true that all the Latin American countries deplored the attack on President Truman and a majority revealed some understanding of the US position in Puerto Rico, nevertheless, official and unofficial reactions disclosed widespread sympathy for the idea of Puerto Rican independence, though few persons condoned the violent methods employed by the Nationalist Party. Inasmuch as the aspirations of dependent peoples for independence has always struck a sympathetic chord in Latin America, it was to be expected that desires for independence on the part of fellow Latins would provoke, as in the past, a strong emotional response. Although in no Latin American country has this response been as sharp as in Cuba [redacted] all the Latin American republics will continue to observe closely US handling of the Puerto Rican situation, and many will continue to view with suspicion US activities in the island until its people are given the opportunity to vote specifically on the question of independence. Moreover, anti-US and Communist elements in Latin America will persist in their attempts to exploit the US relationship with Puerto Rico so as to make the US appear a tyrannical, imperialistic power.

2. Repression of Communism in Latin America

Against a background of considerable repression of Communism in Latin America, a trend toward even greater repression has been developing during recent months. This is particularly evident in some of the Latin American countries where Communists have been the most active. In Argentina, police action has substantially reduced attempted Communist demonstrations as compared to several months ago. In Brazil, continued police repression prevented any large scale Communist demonstration during the 3 October general elections. Cuban Communists are still not allowed to print a daily paper to replace the recently suppressed Hoy. In addition, the government recently arrested a large number of local and foreign Communists who were having a meeting for delegates on their way to the Sheffield "peace" congress. The Guatemalan government has apparently been behind the move which resulted in Communist Pinto Usaga's loss of influence over the railway union, Sindicato Accion y Mejoramiento Ferrocarrilero (SAMF), the most important union of the country. In Mexico, in addition to the arrest of several Communists collecting signatures, government maneuvers in labor have been largely responsible for the separation of Communists at least partially from the leadership of the important miners', petroleum workers' and railway workers' unions. In Peru, customs officials have been ordered to confiscate all "peace" propaganda

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arriving by air. Private groups in Uruguay have started to counter Communist propaganda, while the police have recently begun to break up Communist street corner meetings.

D/LA estimates that the trend toward increasing repression of Communism in Latin America will probably continue at least for the next few months.

3. **GUATEMALA: Arbenz Election Makes Possible a More Conservative Government**

The victory of Lt. Col. Jacobo Arbenz in the Guatemalan presidential election held last weekend (10-11-12 November) was the generally expected result of a campaign controlled by the Arbenz forces in combination with the Arévalo administration. Throughout the campaign, the strong, well-financed Arbenz organization, supported by Guatemala's militant labor movement, was aided by arbitrary and coercive measures on the part of the administration which served to outlaw, split, and confuse the opposition.

The election of Arbenz will not greatly alter the immediate political situation or the policies of the present government, since his inauguration will not take place until March 1951. However, his election releases him from a situation in which he was forced to rely on Communists for political support and may enable him to take positive steps toward conciliation of the moderate and conservative opposition. It seems probable, in view of his character and his off-the-record remarks, that Arbenz will follow such a policy and that his administration will be somewhat more conservative and more acceptable to US business interests than that of President Arévalo.

4. **BRAZIL: Move to Invalidate Vargas' Election Not Likely to Gain Much Support**

The move by some of the defeated candidates to have Vargas' election [redacted] invalidated on the basis that he did not receive an absolute majority of the votes -- he has received about 48 percent of the total votes counted -- is not likely to gain sufficient support to become effective. The silence of the constitution as to the kind of majority required and the apparent willingness on the part of the political leaders prior to the elections to accept either a Gomes or Machado victory by a mere plurality would tend to militate against the plans of this small but articulate group of "die-hards". Also, the large majority that swept Vargas and many of his supporters into office would probably deter a political move to nullify the election of the former dictator. D/LA estimates that Vargas will be inaugurated as scheduled on 31 January 1951.

5. **VENEZUELA: Effects of Delgado Assassination**

The assassination yesterday, 13 November, of Lt. Col. Carlos Delgado Chalbaud, president of the Venezuelan military junta of government, is expected to have a distinctly unfavorable effect upon US interests in Venezuela. Of the three junta members who had governed Venezuela since the coup of 24 November 1948, Delgado Chalbaud was the

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most astute politician. Not only had he exerted a moderating influence upon the other two junta members, Lt. Col. Marcos Pérez Jiménez and Lt. Col. Luis Felipe Illovera Páez, (both of whom tended to favor harsh repressive policies) but also he had displayed a distinctly cooperative attitude towards the US.

It has been officially announced that the leader of the group of assassins was retired General Rafael Simón Urbina (who had plotted in 1928 against dictator Gómez and in 1946 against Acción Democrática leader Rómulo Betancourt), and all available information indicates that the attack was motivated by personal antagonism. It is possible that dissident groups, notably AD, may play up the alleged rivalry between Delgado Chalbaud and Pérez Jiménez, even to the extent of charging the latter with responsibility for the crime, in order to create division within the armed forces. Nevertheless, it is to be expected (as is already evident from the prompt suspension of constitutional guarantees and the institution of a state of emergency) that strict and effective measures will be taken to avoid internal disorders. It is probable that the two surviving junta members will remain in power, and a third member may be added, possibly the armed forces chief of staff Lt. Col. Felix Román Moreno. D/LA estimates that no major disturbances will occur in the immediate future, but that the loss of the restraining influence of Delgado Chalbaud will probably lead to the institution of a harsher more repressive policy, which may in the long run provoke a violent reaction and which would nullify the slight progress already made towards the establishment of a constitutional regime.

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Situation Memorandum 68-50

14 November 1950

The Current Situation in Nicaragua

(Summary -- The political situation remains comparatively calm, with General Somoza firmly maintaining his domination of Nicaragua. The economic position has been steadily deteriorating, and the country now faces a dollar exchange crisis. Somoza keeps firm control of the Guardia Nacional. The small Communist group continues to suffer setbacks and has been weakened further by dissension within its ranks. In the foreign field, the Nicaraguan government shows continuing concern over the political situation in neighboring countries.

-- The ratification of the OAS charter and the Pact of Bogotá together with Nicaragua's support of the UN and US actions in the Korean affair have strengthened US security interests.)

Political

The political situation remains comparatively calm with General Somoza firmly maintaining his position of power. Somoza will complete the unexpired term of the deceased president Ramón y Reyes and then, on 1 May 1951, will commence his six year term of office for which he was elected [redacted]
[redacted]

The Constituent Assembly, organized in accordance with the terms of the Somoza-Chamorro Agreement [redacted] and headed by Luis Somoza, the president's elder son, was formally inaugurated on 4 June. Most of the political activity of the country since then has centered around animated discussions in the Assembly over the new constitution. The Assembly has approved a second reading of the new constitution and, after the approval of a new electoral law now under consideration, will be prepared to dissolve itself and become the new Congress.

Although the political scene remains superficially undisturbed, there has been in progress within the Conservative Party a struggle for power between the Arguello Bolanos and the Gustavo Manzanares factions, which is believed to be merely an internal affair and in all probability will not produce a party rift. Despite intra-party disputes within the Somocista and Conservative groups, D/LA foresees no appreciable change in Nicaragua's political situation during coming months.

Economic

Nicaragua's economic position has been steadily deteriorating, and the country is now faced with a dollar exchange crisis. At the invitation of the government, two technical missions of the International Monetary

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Fund (ITF) have made a thorough study of Nicaragua's balance of payments problem and its general economic and fiscal policies and have made recommendations concerning future exchange control policies and organization. These ITF proposals have produced considerable disagreement in government circles and President Somoza has submitted an alternate plan for a new exchange control system whose salient feature is an increase in the selling rate of the córdoba. It is felt that by raising the selling rate, the demand for imports will be sufficiently reduced so as to enable the country to balance its exchange expenditures with its exchange income.

The new budget for fiscal 1950-51 calls for expenditures of córdobas \$65,992,197 --- an increase of \$11,500,763 over the previous year. The main beneficiaries of the enlarged budget are: office of the president and commander in chief, up 108%; ministries of agriculture and labor, up 114%; development and public works, up 43%; and public education, up 26%.

The implementation of the new exchange control law could permit the country to achieve a current position in its international balance of payments and prevent further deficits. However, in D/LA's opinion, there is only an even chance for its efficient administration.

Military

The only significant changes in the military have been the transfer of top ranking Colonels Gaitán, Telleria, and Monterrey to different assignments and the elevation of Colonel Anastasio Somoza Jr. (Tachito) to chief of staff of the Guardia Nacional. These moves presumably have been made not only to weaken the personal influence of these three leaders -- reportedly contending with each other for power striving toward eventual control of the Guardia -- but also to assure Tachito's control of the Guardia, should Somoza visit the US for medical treatment. The meteoric rise to power of Colonel Anastasio, coupled with Somoza's reputed desire to have his son succeed him as president, has produced general dissatisfaction in the military and has increased resentment toward the Somoza regime. However, since no effective opposition to Somoza exists in the country and as long as he continues to grant the Guardia certain privileges, there is scant possibility that Somoza will lose control of the Guardia.

Subversive

Following its loss of control of the Casa del Obrero [redacted] the small Communist Partido Socialista de Nicaragua (PSN) and its sponsored Confederación General del Trabajo (CGT) suffered another blow when permission to hold the proposed second congress of the CGT in León was denied by government authorities. The CGT was further weakened by the resignation of Secretary General Absalon González following a rift between the Somocista group (headed by González) and the Communist members,

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resulting from the objection of González and his adherents (under pressure from Somoza) to the CGT's increasing participation in political matters and its growing dissemination of Communist propaganda.

While PSN leaders have held conversations with Somoza oppositionists -- chiefly Liberal Independent Party persons -- there has been no attempt to penetrate the Guardia Nacional and no evidence that these leaders are involved in any movement to overthrow Somoza. The attention of the PSN recently has been directed principally to labor matters and to putting over the Communist "peace" line.

International

Nicaragua's general reaction to the Korean crisis has been one of complete support for UN and US actions and has been exemplified by its offer of food supplies and raw materials. Numerous Nicaraguans continue to volunteer their services in the armed forces of the US. Despite disappointment at the US Senate's decision to omit appropriating funds for completion of the Rama Road [redacted] and to cut appropriations for termination of the Inter-American Highway, US-Nicaraguan relations continue to be cordial.

On 26 July 1950, Nicaragua deposited its instruments of ratification of the OAS charter and of the Pact of Bogotá signifying its desire for peace and hemispheric unity. While Somoza has proposed that Nicaragua's international policy be henceforth one of the Good Brother (Buen Hermano), yet his government, through the local press, continues its attacks upon Guatemala and Costa Rica, stressing the Communist nature of the former's regime and the imminence of Arévalo's fall, and accusing the latter country of discriminating against Nicaraguan laborers. Furthermore, Somoza has expressed concern over the political situation in El Salvador and Honduras, stating that Osorio (El Salvador) is consorting with Arévalo (Guatemala), and that Gálvez (Honduras) is too weak to govern effectively. However, this preoccupation is believed to be built up merely as a safeguard and to pave the way for appeal -- particularly to US -- should any changes in those governments adversely affect Nicaragua's foreign relations.

It is estimated that the country will maintain its present international policies.

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